



WENDY L. WATANABE  
AUDITOR-CONTROLLER

## **COUNTY OF LOS ANGELES DEPARTMENT OF AUDITOR-CONTROLLER**

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March 18, 2014

The Honorable Board of Supervisors  
County of Los Angeles  
383 Kenneth Hahn Hall of Administration  
500 West Temple Street  
Los Angeles, CA 90012

Dear Supervisors:

### **INVESTIGATIONS OF POSSIBLE CRIMINAL ACTIVITY WITHIN COUNTY GOVERNMENT POLICY REVISION ALL DISTRICTS (3 VOTES)**

#### **SUBJECT**

Approve the amendment to Board of Supervisors (Board) Policy 9.040, Investigations of Possible Criminal Activity Within County Government, as approved by the Audit Committee, to include updates and revisions, and extend the Sunset Review Date for five years from the date on which the amended Policy is approved by your Board.

#### **IT IS RECOMMENDED THAT YOUR BOARD:**

1. Approve the attached revised Board Policy 9.040, Investigations of Possible Criminal Activity Within County Government, which includes updated relevant authorities and language, provides details of the County Fraud Hotline function, and clarifies the role and authority of the Auditor-Controller (A-C) with respect to Countywide investigations.

#### **PURPOSE/JUSTIFICATION OF RECOMMENDED ACTION**

On September 8, 1981, your Board approved Policy 9.040, which mandates that the proper authorities be notified of any suspected criminal activity by a County employee or agency contracting with the County. The Policy specifies your Board's designation of the Sheriff's, District Attorney, and the A-C as the only County agencies with the

authority to conduct criminal investigations.

The recommended updates and revisions implement various ministerial changes, better align the Policy with the County's current fraud reporting and investigative processes, address the A-C's Fraud Hotline Database (which was implemented in 2006, after the last Sunset Review Date), and codify the A-C's reporting and notification requirements.

For example:

- The A-C will provide oversight and accountability for investigations by maintaining a confidential Fraud Hotline database of all reported allegations;
- The A-C will provide a semi-annual Fraud Hotline Status Report to your Board, and notice to Counsel when a County contractor is referred to the District Attorney due to possible criminal activity;
- The Policy is revised to be consistent with Department of Human Resources policies, procedures, and guidelines related to employees' obligation to cooperate with official investigations.

The Policy also contains clarifications to ensure that all departments are aware of their obligation to cooperate with investigations of fraud, waste, and abuse within County government, and the A-C's authority to access official records necessary to complete our audits and investigations.

#### Implementation of Strategic Plan Goals

Approval of the revised Board Policy is consistent with the County's Strategic Plan Goal Number 1, Operational Effectiveness. By clarifying and defining the responsibilities of departments and the investigative authorities, the Policy will increase the effectiveness of the fraud and misconduct reporting, investigation, and result notification cycle.

#### **FISCAL IMPACT/FINANCING**

There is no direct fiscal impact related to the recommended adoption of this revised policy.

#### **FACTS AND PROVISIONS/LEGAL REQUIREMENTS**

- On September 9, 1981, on the motion of Supervisor Michael D. Antonovich, your Board established procedures for the investigation of possible criminal activity within the County, specifically, that such suspected activity will be immediately referred to the Sheriff's, the A-C, and/or the District Attorney, as applicable. Departments were directed to not conduct their own criminal investigations. The

recommended amendments will align Policy 9.040 with recent developments related to the A-C's investigative responsibilities.

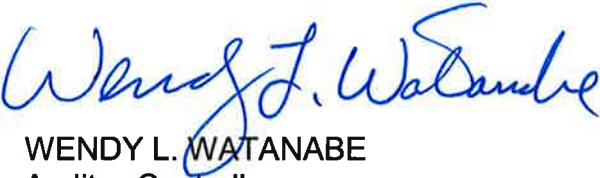
- On October 1, 1988, the A-C established the County Fraud Hotline to allow County employees and private citizens to anonymously report suspected fraudulent or inappropriate activity involving County employees and/or vendors.
- On September 1, 1998 and on July 1, 2003, the A-C issued memos to each department and district head, reinforcing that the A-C is the central repository for fraud, waste, and abuse allegations, and that the A-C is responsible for logging and tracking such allegations, as well as determining the most appropriate agency to investigate.
- California Government Code Section 53087.6, which was enacted in 2008, authorizes county A-Cs to maintain an anonymous whistleblower hotline for individuals to report information regarding suspected fraud, waste, or abuse by local government employees. This Code Section also provides the authority to conduct investigative audits, and requires that certain information related to whistleblower hotline complaints is kept confidential.
- California Penal Code Section 830.13 provides that A-C investigators serve in a peace officer capacity with respect to the service of search warrants during the scope of their employment.
- Los Angeles County Code Section 2.10.010, Bookkeeping and Auditing of Accounts, provides that bookkeeping and auditing of accounts of all County offices and departments shall be subject to the inspection and control of the A-C, under the supervision and direction of the Board.
- County Counsel has reviewed the amended Policy. Additionally, as required by your Board, County policy revisions other than an extension of the Sunset Review Date must be presented to, and approved by the Audit Committee. The A-C presented the Policy amendments to the Audit Committee and received final approval on December 18, 2013.

### **IMPACT ON CURRENT SERVICES (OR PROJECTS)**

The recommended Policy revisions will provide all departments and employees with clear guidance on their respective roles in reporting and investigating potential criminal activity within County government. This policy strengthens the County's Fraud Hotline Program, which is designed to minimize the occurrence of fraud, waste, and abuse. Also, the Policy as revised will reinforce Countywide policies that direct inter-department cooperation, which is critical to an effective investigation process.

The Honorable Board of Supervisors  
March 18, 2014  
Page 4

Respectfully submitted,



WENDY L. WATANABE  
Auditor-Controller

WLW:RGC:GZ:RHL:AMS

Attachment

c: Executive Office, Board of Supervisors  
Chief Executive Officer  
County Counsel



# Los Angeles County **BOARD OF SUPERVISORS POLICY MANUAL**

Policy #:	Title:	Effective Date:
9.040	Investigations of Possible Criminal Activity Within County Government	09/08/81

## PURPOSE

Mandates that the proper authorities be notified of any suspected criminal activity relating to fraud, waste, or misuse of County resources by a County employee or agency contracting with the County.

## REFERENCE

California Government Code Section 53087.6

California Penal Code Section 830.13

County Code 5.02.06 - Retaliation for reporting fraud, waste, or misuse of County resources prohibited

Board of Supervisors Policy Manual Section 6.109 – Security Incident Reporting

Los Angeles County Code Section 2.10.010 – Bookkeeping and auditing of accounts – Control authority

September 8, 1981 Board Order, [Synopsis 89](#)

November 17, 1987 [Board Order 70](#) instructing the CAO, Sheriff's, County Counsel and Auditor-Controller to develop a detailed guideline for handling suspected employee theft

October 4, 1991 Auditor-Controller "[Special Investigations Unit History](#)" Guidelines for Handling the Investigation and Reporting of Employee Misconduct (Promulgated in December 1987 and revised in December 1992)

September 1, 1998 Auditor-Controller "[Employee Fraud Hotline Investigations](#)" memo to each department and district head

## POLICY

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The Board of Supervisors has designated the Sheriff's, District Attorney, and Auditor-Controller as the only County agencies with the authority to conduct criminal investigations relating to fraud, waste, or misuse of County resources of misconduct within County government. These agencies have agreed that in all instances when it is suspected that a County employee or an agency contracting with the County has engaged in committed a criminal activity, the Auditor-Controller's Office of County Investigations (OCI) Special Investigations Unit (SIU) is to be notified immediately. OCI The SIU will contact the appropriate law enforcement agency if it is determined necessary. If applicable, the Auditor-Controller will report the investigation findings to the Board, the concerned department head and the Chief Administrative Officer. Pursuant to established protocol, OCI will notify County Counsel when a County contractor is referred to the District Attorney for possible criminal violations.

Also, No department may is to conduct any internal investigation without first notifying OCI the Auditor-Controller's SIU. This ensures that only one department is investigating allegations of improprieties, and that all investigations are appropriately tracked. In order to provide Countywide oversight and accountability for investigations, the Auditor-Controller shall maintain a confidential Fraud Hotline Database of all allegations reported to OCI.

OCI may investigate, or refer out for investigation, allegations of misconduct reported to the Fraud Hotline. Departments shall report their investigative findings and conclusions to OCI within 90 days of receipt of a referral. Depending on the nature of the allegations and the outcome, the Auditor-Controller will report the results of his/her investigations to the Board of Supervisors, the appointing authority, and/or the Chief Executive Officer, as appropriate. The Auditor-Controller shall, if requested, honor requests for confidentiality from the District Attorney and Sheriff's. In addition, the Auditor-Controller will provide a semi-annual report to the Board of Supervisors summarizing the results of all closed investigations.

County departments, special districts, commissions, and other entities under the control of the Board of Supervisors, and their officers and employees, shall cooperate fully with official investigations. Except to the extent prohibited by law, the Auditor-Controller shall have access to and the authority to examine and reproduce, any and all books, accounts, reports, vouchers, correspondence files, and all other records, as well as the property, facilities, and premises of the County, its departments, special districts, and commissions, as may be material and relevant to his/her audits and investigations. Any officer or employee of any agency or entity having control of such records or property shall permit the Auditor-Controller access to, and examination and reproduction thereof, upon request of the Auditor-Controller or his/her designee. The Auditor-Controller shall comply with all statutory requirements of confidentiality, and assert all applicable privileges, with regard to records obtained in the course of its audits and investigations.

Any request to withhold access to records, information, or facilities that are not otherwise legally restricted from the Auditor-Controller must be approved by the Board of Supervisors.

## RESPONSIBLE DEPARTMENT

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Auditor-Controller

## DATE ISSUED/SUNSET DATE

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**Issue Date: September 8, 1981**

**Review Date: August 21, 2003**

**Review Date: March 18, 2014**

**Sunset Date: September 8, 2003**

**Sunset Date: September 8, 2013**

**Sunset Date: March 18, 2019**